THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH

Annual Financial Report

As of and for the Year Ended

December 31, 2011

With Comparatives for 2010

KEITH J. ROVIRA
Certified Public Accountant

**THE EMPLOYEES' RETIREMENT SYSTEM
OF JEFFERSON PARISH, LOUISIANA**

Annual Financial Report

and

Independent Auditor's Report

As of and for the Year Ended

December 31, 2011

With Comparatives for 2010

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of
The Employees' Retirement System of
Jefferson Parish, Louisiana
A Component Unit of Jefferson Parish

I have audited the accompanying financial statements of the Employees' Retirement System of Jefferson Parish, a component unit of Jefferson Parish, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the net asset of the Employees' Retirement System of Jefferson Parish, as of December 31, 2011 and 2010, and the changes in net assets, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated February 10, 2012, on my consideration of the Employees' Retirement System of Jefferson Parish's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audits.

Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Employees' Retirement System of Jefferson Parish's basic financial statements. All other accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keith J. Rovira

Keith J. Rovira
Certified Public Accountant

February 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Management's Discussion and Analysis
December 31, 2011 and 2010

The Management's Discussion and Analysis (MD&A) of the Employees' Retirement System of Jefferson Parish's (System) financial performance presents a narrative overview and analysis of the System's financial activities for the years ended December 31, 2011 and 2010. The System is a component unit of Jefferson Parish and is reporting as a single-employer defined benefit pension plan which is closed to new employee participants. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the basic financial statements. The MD&A is an element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" issued June, 1999. Certain comparative information between the current year and prior year has been presented in the MD&A.

FINANCIAL HIGHLIGHTS

The minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by GASB Statement No. 34 are divided into the following sections:

(a) Management's Discussion and Analysis
(b) Basic Financial Statements
(c) Required Supplementary Information (other than MD&A)

Basic Financial Statements:

The basic financial statements present information for the System as a whole, in a format designed to make the statements easier for the reader to understand. The two statements in this section are the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets.

The Statement of Plan Net Assets is prepared on the accrual basis of accounting. Plan assets are subdivided into (a) major categories of assets held (for example, cash and cash equivalents, receivables, investments, and assets used in plan operations) and (b) the principal components of the receivables and investment categories. Assets and liabilities are presented separately on the statement. Plan liabilities generally consist of regular accounts payables for administrative expenses, retirees' payments and deductions for health insurance premiums payable, federal income tax withholdings, and accrued annual and sick leave. Plan liabilities are recognized on the accrual basis. The difference between total assets and total liabilities is called Net Assets Held in Trust for Pension Benefits. This statement may provide a useful indicator of whether the financial position of the System is improving or deteriorating.

The Statement of Changes in Plan Net Assets presents information showing how the System's assets changed as a result of current year operations and activities. Regardless of when cash is affected, all changes in plan net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods. This is known as accrual basis accounting. This statement presents information in two principal sections, Additions and Deductions. Additions are comprised of employer and member contributions and net investment income (loss). The resulting difference between investment income and investment expense is net investment income (loss). Deductions include benefit payments to retirees, refunds of employee contributions, and administrative expenses. The difference between total additions and total deductions is reported as the Net Increase (Decrease) in Plan Net Assets for the year.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Management's Discussion and Analysis (Continued)
December 31, 2011 and 2010

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Plan Net Assets
As of December 31, 2011 and 2010

	2011	2010
Current and other assets	$ 183,718	$ 234,092
Investments	31,036,232	31,854,286
Capital assets	4,799	4,439
Total Assets	31,224,749	32,092,817
Current liabilities	91,689	118,163
Long-term liabilities	45,212	46,373
Total Liabilities	136,901	164,536
Net Assets Held in Trust for Pension Benefits	$31,087,848	$31,928,281

All of the System's net assets are essentially held in trust at a local financial institution for the payment of future pension benefits and administrative operations.

Net Assets Held in Trust for Pension Benefits by the System decreased by $840,433, or 2.63%, during the year. The most significant cause for this was the overall decrease in value of investments.

Statement of Changes in Plan Net Assets
For the Year Ended December 31, 2011 and 2010

	2011	2010
Additions	$1,988,247	$ 6,443,834
Deductions	(2,828,680)	(2,758,425)
Net Increase (Decrease) in Plan Net Assets	$(840,433)	$3,685,409

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Management's Discussion and Analysis (Continued)
December 31, 2011 and 2010

ACTUARIAL ACCRUED LIABILITY, DEBT ADMINISTRATION AND CAPITAL ASSETS

Actuarial Accrued Liability:
As noted in the Schedule of Funding Progress in the Required Supplementary Information section of this audit report, the System's actuary has calculated the actuarial accrued liability of the System as of December 31, 2011, to be $42,782,421, a $588,400 decrease, or 1.4% from 2010 figures. The actuary also calculated the "unfunded" actuarial accrued liability to be $10,736,851 at December 31, 2011, which is a decrease of $3,038,755, or 22.1% from 2010.

Long-term Liabilities:
The System's outstanding liabilities found on its Statement of Plan Net Assets at year-end totaled $136,901. The long-term portion of that liability, which totaled $45,212, was for accrued annual and sick leave due to the System's active employees.

The System has implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. No obligation is required to be recorded in the financial statements for post-employment heath care and life insurance benefits for retirees. A detailed explanation can be found in Note F of the Notes to the Financial Statements.

Capital Assets:
At December 31, 2011, the System had $17,984 invested in office equipment. This amount represents the total original cost of the capital assets held by the System. Accumulated depreciation on these assets totalled $13,185, leaving capital assets, net of depreciation, at $4,799.

ECONOMIC FACTORS AND NEXT YEAR'S RECOMMENDED CONTRIBUTION RATES

The annual actuarial valuation of the System is prepared as of the end of each fiscal year and reported on by G. S. Curran & Company, Ltd., consulting actuaries. Included in that report is the actuary's recommended employer contribution rate which is needed to meet the System's funding plan.

The Board of Trustees reviews each annual report, including the underlying actuarial assumptions. The Board then recommends an employer contribution rate for the following year to the Parish Administration for inclusion in the Parish budget. In accordance with the funding policy, the rate recommended by the Board to the Administration has never been less than the actuary's recommended rate.

The assumed rate of return is the average rate of total return on investments expected in the future, realizing that some years will produce greater returns and some years will produce lesser returns. This assumed rate is one of the actuarial assumptions which most affects current recommended contribution rates. A reduction in this rate will cause contribution rates to increase, and an increase in this rate will cause contribution rates to decrease. Actuarial valuations are based on an assumed investment rate of return of 7.0%, which was the same for the previous year.

The actuary's <u>recommended</u> employer contribution rates for years 2010, 2011 and 2012 are 1.50%, 1.60% and 1.48%, respectively. The System's <u>actual</u> employer contribution rates for those same years are 1.52%, 1.60% and 1.60%.

The Board of Trustees believes that the System will continue to be able to maintain sufficient liquid assets necessary to meet its expected needs and annual pension benefit obligations. The Board's annual review of the actuarial valuation will allow the System to timely adjust to changing conditions so as to provide all members their promised benefits at the least cost to the Parish.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Management's Discussion and Analysis (Continued)
December 31, 2011 and 2010

CONTACTING THE SYSTEM'S MANAGEMENT

This financial report is designed to provide our retirees, system beneficiaries, citizens, taxpayers, investors and creditors with a general overview of the System's finances, and to show the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Employees' Retirement System of Jefferson Parish, Louisiana at Suite 4100, P.O. Box 9, Gretna, Louisiana, 70054 or call them at 504-364-2668.

BASIC FINANCIAL STATEMENTS

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Statements of Plan Net Assets
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash	$ 16,205	$ 60,474
Receivables:		
Employer contributions	90,011	91,099
Members contributions	1,268	1,608
Accrued interest & dividends	76,234	80,911
Total Receivables	167,513	173,618
Investments: (Note B.3. & D)		
Common stocks	16,032,845	15,795,928
Mutual fund-common stock equities	5,606,749	6,391,035
Mutual fund-money market/cash reserve	685,491	903,848
Corporate bonds	3,372,687	3,731,107
U.S. Treasury obligations	203,837	967,610
U.S. Government agencies	5,134,623	4,064,758
Total Investments	31,036,232	31,854,286
Office equipment, net of accumulated depreciation (Note E)	4,799	4,439
Total Assets	31,224,749	32,092,817
LIABILITIES		
Accounts payable	21,264	35,638
Accrued annual and sick leave	45,212	46,373
Employees' refunds payable	-	35,043
Hospitalization premiums payable	70,425	47,482
Total Liabilities	136,901	164,536
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress for the System is presented on page 31)	$31,087,848	$31,928,281

(Continued)
The accompanying notes are an integral part of this statement.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Statements of Changes in Plan Net Assets
December 31, 2011 and 2010

	2011	2010
ADDITIONS		
Contributions:		
Employer	$2,280,374	$2,225,369
Members	35,266	42,084
Total Contributions	2,315,640	2,267,453
Investment income:		
Net appreciation (depreciation) in the fair value of investments	(944,816)	3,615,620
Interest	393,201	362,797
Dividends	342,037	296,460
	(209,578)	4,274,877
Less: Investment expense	(117,815)	(98,496)
Net investment income (loss)	(327,393)	4,176,381
Total Additions	1,988,247	6,443,834
DEDUCTIONS		
Benefits	2,483,205	2,478,553
Refunds of contributions	84,050	35,043
Administrative expense (Page 35)	261,425	244,829
Total Deductions	2,828,680	2,758,425
Net Increase (Decrease)	(840,433)	3,685,409
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	31,928,281	28,242,872
End of Year	$31,087,848	$31,928,281

(Continued)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - DESCRIPTION OF THE SYSTEM

The following brief description of the Employees' Retirement System of Jefferson Parish (System), established January 1, 1973, is provided for general information purposes only. Participants should refer to Ordinance No. 11027 and all amendments for more complete information.

The System is a single-employer defined benefit pension plan replacing Social Security for substantially all employees of Jefferson Parish who began their employment prior to December 15, 1979. On that date the System merged with the Parochial Employees' Retirement System of Louisiana (PERS) and became a closed system; all new employees of the Parish after that date are members of PERS only.

Beginning on January 1, 1980, PERS provided substantially all benefits to new retirees who belonged to both systems. For such retirees, the benefits provided by the Jefferson System are now limited to amounts resulting from differences between benefits provided by the two systems: Jefferson's free credit for military service to retirees who did not purchase credit from PERS, Jefferson's automatic one-half benefit to a surviving spouse, and Jefferson's guarantee that combined retirement benefits at least equal the benefits a member would have received had they remained under only Social Security and PERS until the date of their retirement, death or disability.

The System permits retirement at age 60 with at least 10 years of service. Members terminating before rendering 10 years of service may elect to receive a lump-sum distribution equal to their accumulated contributions at their termination date.

NOTE A - DESCRIPTION OF THE SYSTEM (CONTINUED)

The following employee membership data is actuarially determined and is a categorized listing of the total number of members on whom the Jefferson System retains liability as of December 31, 2011:

Retirees and beneficiaries currently receiving benefits or retirees with contingent survivor benefits	729
Terminated employees entitled to benefits but not yet receiving them	22
Active plan members	51
Total	802
Number of participating employers (Jefferson Parish)	1

The plan is closed to new entrants.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting
The System's financial statements are prepared using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when incurred. Contributions from the System and the System's employees are recognized as revenue in the period in which employees provide services to the System. Contributions made to the System by Jefferson Parish, the employer, are recognized when due and the employer has made a formal commitment to provide the contributions. Pension benefits and refunds of employee contributions are recognized when due and payable in accordance with the terms of the plan. Investment income is recognized as earned by the plan.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The System has adopted the provisions of Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures." The statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The required disclosures are included in Note D to the financial statements.

In addition, these financial statements include management's discussion and analysis, as required by the Government Accounting Standards Board (GASB) in their Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", which was issued in June, 1999.

2. Reporting Entity

In classifying the reporting entity, certain criteria for defining the organizations, functions and activities of a governmental unit should be included in the general purpose financial statements of the Employees' Retirement System of Jefferson Parish. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of that governmental entity. The criteria considered and evaluated were accountability for fiscal matters, scope of public service and manifestations of oversight. Manifestations of oversight were considered to include the designation of management, the selection of the governing board and the ability to significantly influence operations. Accountability for fiscal matters was considered to include control over surpluses, responsibility for debt, managerial control of fiscal matters, certain revenue characteristics and budgetary approval, or the lack thereof.

Based on the foregoing criteria, the Employees' Retirement System of Jefferson Parish was determined to be a component unit of Jefferson Parish, the governmental entity with oversight responsibility. The accompanying financial statements present information only on those funds maintained by the System and do not present information on Jefferson Parish, the general government services provided by that governmental entity, or other governmental entities that comprise the governmental reporting entity.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. <u>Cash and Investments</u>
Governmental Accounting Standards Board Statement No. 50, "Pension Disclosures", requires the disclosure of cash deposits with financial institutions and investments, and amends GASB Statements No. 25 and 27. All cash deposits are valued and reported at cost, which approximates fair value. Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates at December 31.

4. <u>Capital Assets</u>
Office equipment is valued at cost less accumulated depreciation, calculated on a straight-line basis over estimated useful lives of 5 and 10 years.

5. <u>Annual and Sick Leave</u>
Annual leave (vacation) and sick leave (sick pay) are accrued when incurred for the office employees.

6. <u>Comparative Data</u>
Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the System's financial position and operations.

7. <u>Use of Estimates</u>
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE C - CONTRIBUTIONS AND CONTRIBUTION RATES

Contribution rates for plan members are actuarially determined. The required contribution percentages for members depends on which retirement system that individual is a member. The rates are applied to an employee's annual covered salary. Member contribution rates may be amended only by the Jefferson Parish Council.

The employer contribution rate for the System is actuarially determined. The System's Board of Trustees can recommend a

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE C - CONTRIBUTIONS AND CONTRIBUTION RATES (CONTINUED)

change in the employer contribution rate, however the Jefferson Parish Council has to approve the change.

For 2010, 2011, and 2012, periodic employer and employee contribution rates were actuarially determined. The contribution requirements recommended by the System's actuary and the actual rates used for these years are as follows:

	2010		2011		2012	
	Recom-mended	Actual	Recom-mended	Actual	Recom-mended	Actual
Jefferson System only:						
Employee rate	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%
Employer rate	7.55%	7.57%	7.65%	7.65%	7.53%	7.65%
PERS, Firefighters & Jefferson Systems:						
Employee rate	.8% minus $4 per month		.8% minus $4 per month		.8% minus $4 per month	
Employer rate	1.50%	1.52%	1.60%	1.60%	1.48%	1.60%
PERS & Firefighters Systems only:						
Employee rate	-	-	-	-	-	-
Employer rate	1.50%	1.52%	1.60%	1.60%	1.48%	1.60%

NOTE D - CASH DEPOSITS AND INVESTMENTS

Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures" establishes and modifies disclosure requirements related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk, as applicable.

Cash Deposits
At year-end, the carrying amount of the System's cash account was $16,205. The bank balance deposit was $19,723. Federal depository insurance (FDIC) totaling $250,000, and securities pledged as collateral totaling $127,988 held by the pledging

NOTE D - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

institution's agent in the name of the System, secured this bank balance during the year. The inflow and outflow of cash deposits within the System's checking account is monitored by the financial institution frequently in order to make sure all deposits are protected by either FDIC or securities pledged as collateral.

Investments

The System's Investment Policy Statement (dated June 15, 2010), between the Board of Trustees of the Employees' Retirement System of Jefferson Parish, hereinafter referred to the "System", and its brokerage house, Capital One Asset Management, LLC, hereinafter referred to as the "Broker," sets up certain agreed-upon criteria and assumptions for the active management of the System's investments as follows:

(1) Investment Objective: long-term growth - to achieve annual returns of 5-7% above the rate of inflation over a long-term investment.
(2) Time Horizon: By the year 2019 all members of the System will be in retirement.

The System is authorized to invest under the Prudent-Man Standard. The Prudent-Man Standard requires that each member of the Board of Trustees to act collectively on behalf of the System, to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

Furthermore, no trustee and no employee on the Board of Trustees shall have any direct interest in the gains or profits of any investment made by the Board of Trustees, nor as such receive any pay or emolument for his/her service. No trustee or employee of the board shall directly to indirectly, for himself or as an agent in any manner use the same, except to make such current and necessary payments as are authorized by the Board of Trustees; nor shall any trustee or employee of the Board of Trustees become an endorser or surety or in any manner an obliger for moneys loaned or borrowed from the Board of Trustees.

Risk Tolerance

Investment theory and historical capital markets return data suggest that, over long periods of time, there is a

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE D - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

relationship between the level of risk assumed and the level of return that can be expected in an investment program. I general, higher risk (e.g., volatility of return) is associated with higher return. Given this relationship between risk and return, a fundamental step in determining the investment policy for the portfolio is the determination of an appropriate risk tolerance. There are two primary factors that affect the investor's risk tolerance: (1) financial ability to accept risk within the investment program, and; (2) willingness to accept return volatility.

Taking these two factors into account, the System has rated its own risk tolerance as, above average. The System is also willing to accept an above average risk tolerance and a high level of portfolio volatility.

A "target allocation" of equity holdings of 70% and fixed income/bond holdings of 30% is to be maintained in the portfolio. This allocation was principally agreed upon in the Investment Policy between the System and the Broker.

<u>Concentration of Credit Risk</u>
Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer.

Equity Portfolio:
The System's investment policy states that the equity portfolio should be diversified to avoid undue exposure to any single economic sector, industry group, or individual security: (1) no more than 10% of total equity assets can be invested in any one stock or issuing corporation; (2) no more than 20% of the market value of the equities should be invested in any one industry at the time of purchase; (3) investments in any corporation should not exceed 5% of the outstanding shares of the corporation.

Long-term Fixed Income Portfolio:
Excluding U.S. government securities, or securities guaranteed by the U.S. government, no more than 4% of assets will be held in securities of any one entity. Also, in no event shall more than 10% of the market value of the portfolio consist of investments rated less than the minimum rating required for purchase. Any security which receives a rating of less than Ba-3 by Moody's or BB- by Standard and Poors shall be sold within 30 days of receiving that rating. Fixed income assets

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE D - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

may only be U.S. Dollar denominated assets, but may include entities that are domiciled outside of the U.S.

At December 31, 2011, there were no investment holdings that exceeded the System's concentration of credit risk investment policy.

Credit Risk
Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to the System's investment policy, in no event shall more than 10% of the market value of the portfolio consist of investments rated less than the minimum rating required for purchase. Any security which receives a rating of less than Ba-3 by Moody's or BB- by Standard and Poors shall be sold within 30 days of receiving that rating.

The System also invests in obligations guaranteed or explicitly guaranteed by the U.S. Government and these investments are not considered to have credit risk. These obligations include debt securities with the Federal Home Loan Mortgage/Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and U.S. Treasury Notes.

Custodial Credit Risk
Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

On the Broker's books, the System's investments are segregated from the Broker's assets while being held in trust in the name of the System.

Among other duties and responsibilities as listed in the System's Investment Policy Statement, the Broker is responsible for the following: act as the custodian to safeguard the System's assets; design, recommend and implement an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints of the policy statement; advise on allocation of asset categories; monitor asset performance; recommend changes to the policy; monitor its compliance with the guidelines of the investment policy and provide a certification of the same on a quarterly basis.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE D - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk
Interest rate risk is defined as the risk that changes in the interest rate will adversely affect the fair value of an investment. As of December 31, 2011, the System had the following investments in long-term debt (fixed income) securities and maturities:

Investment Type:	Fair Value	Less Than 5 Years	5 to 10 Years	More Than 10 Yrs.
Fixed Income Securities				
Tennessee Valley Auth.	$320,415	$320,415	-	-
Federal Home Loan Mtg.	2,722,954	-	$606,296	$2,116,658
Federal Home Loan Bank	1,839,461	-	332,736	1,506,725
Federal Nat'l Mtg Assn.	251,793	250,062	1,731	-
U.S. Treasury Notes	203,837	101,258	102,579	-
Corporate Bonds	3,372,687	1,397,860	936,959	1,037,868
	$8,711,147	$2,069,595	$1,980,301	$4,661,251

The interest rate risk of the fixed income portfolio should normally be no more or no less than 20% of the comparable benchmark duration.

Foreign Currency Risk
Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. All of the System's foreign investments are traded on United States exchanges.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE E - OFFICE EQUIPMENT

A summary of changes in office equipment and related accumulated depreciation on those capital assets for the year ended December 31, 2011 is as follows:

Office Equipment:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2011
Office equipment	$36,205	$2,229	$20,450	$17,984
Total	$36,205	$2,229	$20,450	$17,984

Accumulated Depreciation:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2011
Office equipment	$31,766	$1,869	$20,450	$13,185
Total	$31,766	$1,869	$20,450	$13,185

NOTE F - POST-EMPLOYMENT BENEFITS

Health and Life Insurance Benefits

Plan Description: The System provides health care and life insurance benefits to its employees upon retirement, as authorized by Jefferson Parish Council Resolution No. 74791, and through the Parish's post-employment benefit plan already in effect. Health coverage includes a fully insured group health maintenance organization plan (HMO) together with Medicare 65 plans for those eligible. Life insurance coverage is continued after retirement, but with a reduced amount of coverage. Medical benefits are provided to employees upon retirement according to the retirement eligibility provisions

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE F - POST-EMPLOYMENT BENEFITS (CONTINUED)

as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; age 65 and 7 years of service. The plan is a fully insured, single-employer defined benefit plan. Life insurance is provided in the amount of $10,000 for retirees under age 70 and $5,000 to retirees age 70 and older.

Funding Policy: The System has implemented Government Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions (GASB 45). The System recognizes its portion of the cost of providing post-employment medical and life insurance benefits for its retirees as an expense when the benefit premiums are due and thus finances the cost of the post-employment benefits on a pay-as-you-go basis. In 2011, the System's portion of health care and life insurance funding costs for retired employees totaled $12,299. The remaining amount of the required Annual Required Contribution (ARC) is funded by the System based on the its contributions for each employees' health and life benefits.

Annual Required Contribution (ARC): The System's annual required contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years, the maximum amortization period allowed by GASB 43/45, has been used for the medical and life insurance benefits. The System's total ARC for the current fiscal year is $9,383, as set forth below:

Normal cost	$2,468
30-year AAL amortization amount	6,733
Interest	182
Annual required contribution (ARC)	$9,383

These amounts were arrived by multiplying the Parish's figures in those respective categories by a multiplier of .000974, which was determined by dividing the System's annual covered payroll for the current year of $120,848 by the Parish's annual covered payroll of $124,085,107 (Parish's covered

NOTE F - POST-EMPLOYMENT BENEFITS (CONTINUED)

payroll). This is the same multiplier used in calculating the System's amounts as listed in the additional tables below.

Net Post-employment Benefit Obligation: The following table shows the components of the System's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the System's net OPEB obligation to the plan:

Annual required contribution (ARC)	$9,383	
Less: ARC adjustment	(1,021)	
Interest earned on investments (net of fees)	721	
Annual post-employment benefit cost	9,083	
Contributions:		
Current year retiree premiums paid by the System	(12,299)	
(Decrease) in net OPEB obligation	(3,216)	
Net OPEB obligation at beginning of year	-0-	
Net OPEB obligation at end of year	$ -0-	***

*** No liability needs to be recorded for a net OPEB obligation on the Statement of Plan Net Assets as of December 31, 2011, because retiree contributions exceeded the annual required benefit cost for the year. Also, since the ARC is an estimate, which uses the multiplier explained earlier, then the Net OPEB obligation at the end of year will be $0.

The following table shows the System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation:

Fiscal Year Ended	Annual OPEB Cost	% of Annual Cost Contrib.	Net OPEB Obligation
12/31/10	$8,917	116%	-0-
12/31/11	$9,083	135%	-0-

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE F - POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Status and Funding Progress: The System by itself is currently not funding the actuarial accrued liability (AAL) totaling $121,569 as of December 31, 2011. However, the Parish has established an internal service fund as a dedicated reserve for the outstanding post-employment benefit obligation on a Parish-wide basis. The System's estimated portion of this dedicated reserve is $18,323, which was calculated using the same multiplier as mentioned previously.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)
12/31/10	$0	$117,316	$117,316
12/31/11	$0	$120,456	$120,456

Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
0%	$122,015	96%
0%	$120,848	100%

Note: Generally accepted governmental accounting principles (GASB Codification Po50.131-132) require that this schedule present information from the last three years. Because the requirements of GASB Statement No. 45 were implemented starting with the year ended December 31, 2011, only two years are available.

Actuarial Methods and Assumptions: Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE F - POST-EMPLOYMENT BENEFITS (CONTINUED)

rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the type of benefits provided under the terms of the substantive plan (the plan as understood by the System and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the System and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the System and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method: The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the health care cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover. Actuarial Value of Plan Assets are based on actuarial valuations, a smoothed market value consistent with Actuarial Standards ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

Turnover Rate: The following age related turnover scale was used:

Age	% Turnover
18 - 25	35%
26 - 40	25%
41 - 54	20%
55+	10%

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE F - POST-EMPLOYMENT BENEFITS (CONTINUED)

Post-employment Benefit Plan Eligibility Requirements: It is assumed that entitlement to benefits will commence three years after earliest eligibility for retirement. Eligibility for retirement has been assumed to be the earliest of: (1) 30 years of service at any age, (2) age 55 and 25 years of service, (3) age 60 and 10 years of service, (4) age 65 and 7 years of service. Entitlement to benefits continue through Medicare up to death.

Investment Return Assumption (Discount Rate): Based on the assumption that the ARC will be funded, a 4% annual investment return has been used in this valuation.

Future Cost Increase (Trend) Rate: The expected rate of increase in medical cost is based on 11% graded uniformly to 5% over 12 years. Retiree life insurance premiums are paid 100% by the Parish. The rate for retirees is $1.84 per $1,000 of insurance in force per month. The same actuarial assumptions as those used for medical benefits were used to value life insurance post-employment except that a zero trend factor assumption was used.

Mortality Rate: The RP-2000 Combined Mortality Table (RP-2000), projected to 2010, using Projection Scale AA. This mortality table is required and approved by the Internal Revenue Code Section 430, defining minimum required contributions for a defined benefit plan.

Method of Determining Value of Benefits: The portion of the total retiree medical premium which would be paid by the System is determined according to a "vesting" schedule based on the number of years of service at retirement date. There are different schedules for retiree coverage and for dependent coverage. It has been assumed that enrolles will retain the same coverage types after retirement date as they had during employment.

Cost of Living Plan: In addition to the health care and life insurance benefits noted above, the System also provides a supplement to retirees' pensions as authorized by Ordinance No. 18176. This benefit is available to retirees who have been retired for at least one year.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Notes to the Financial Statements (Continued)
December 31, 2011 and 2010

NOTE G - LITIGATION

As of December 31, 2011, the System is not a defendant in any lawsuits, and no liability should be set up in the financial statements.

NOTE H - TREND INFORMATION

Trend information gives an indication of the progress made in accumulating sufficient assets to pay pension benefits when due. It also presents multi-year trend information disclosing the increase or decrease of the actuarial value of plan assets over time relative to the actuarial accrued liability for benefits. Six-year trend data may be found in the Supplementary Information section of this report.

REQUIRED SUPPLEMENTARY INFORMATION

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Required Supplementary Information
Schedule of Funding Progress
December 31, 2011

	(A)	(B)	(B)-(A)	(A/B)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability- (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio %
2006	$28,435,758	$42,502,024	$14,066,266	66.90%
2007	31,291,977	45,692,808	14,400,831	68.48
2008	30,399,897	45,451,156	15,051,259	66.88
2009	29,652,685	45,055,594	15,402,909	65.81
2010	29,595,215	43,370,821	13,775,606	68.24
2011	32,045,570	42,782,421	10,736,851	74.90

	(C)	[(B-A)/C]
Actuarial Valuation Date	Covered Payroll	UAAL as a Percentage of Covered Payroll
2006	$9,056,152	155.32%
2007	8,385,783	171.73
2008	6,785,137	221.83
2009	6,057,848	254.26
2010	4,882,453	282.15
2011	3,915,940	274.18

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Required Supplementary Information (Continued)
Schedule of Employer Contributions
December 31, 2011

	(A)	(B)	(B/A)
Year Ended December 31	Annual "Required" Contribution	Annual "Actual" Contribution	Percentage Contributed
2006	$1,966,895	$1,653,191	84.51%
2007	1,984,888	2,003,193	100.92
2008	2,114,651	2,193,790	103.74
2009	2,270,155	2,211,236	97.40
2010	2,393,128	2,225,369	92.99
2011	2,245,900	2,280,374	101.50

The information presented in these required supplementary information schedules was determined as part of the actuarial valuation methods, assumptions and amortization periods as of the dates indicated. The latest actuarial valuation data, as noted in the actuary's report, is as follows:

Valuation date: December 31, 2011

Actuarial cost method: Individual Entry Age Normal with allocation of cost based on salary

Amortization method: Level dollar, closed

Amortization period: 15 years with level (same each year) payments

Asset valuation method: 3-year smoothing of all earnings above or below the valuation interest rate

Actuarial assumptions --

* Investment rate of return: 7.0%, net of investment expense

* Projected salary increases: 5.5%

  * Includes an inflation rate of 3.25% and a merit rate of 2.25%.

Cost-of-living adjustments: None

OTHER SUPPLEMENTARY INFORMATION

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Other Supplementary Information
Summary of Historical Data
December 31, 2011

The Employees' Retirement System of Jefferson Parish began operating on January 1, 1973, after the employees of Jefferson Parish voted 87.8% in favor of such retirement system to replace Social Security.

The Parish paid all retirement benefits and other expenses of the System from January 1, 1973, through December 31, 1974, from its General Fund. Contributions to the System began on January 1, 1975.

The System was funded initially by contributions of 5.85% of total wages by both the employee and the employer from January 1, 1975, through January 6, 1978. The rate was increased to 6.05% each, effective with the January 30, 1978, payroll.

In 1979 the Louisiana Legislature amended the Parochial Employees' Retirement System law to require Jefferson Parish to pay an additional 4.3% contribution (from 1%) or abandon Jefferson Parish's supplemental system and join the revised PERS effective January 1, 1980.

On December 12, 1979, the Jefferson Parish System agreed to merge its supplemental system with PERS, effective December 15, 1979. As a result of this, the 4.3% increase in cost was avoided.

After advice by its actuary, confirmed by its legal counsel, and with a written opinion from the Louisiana Attorney General, the Employees' Retirement System of Jefferson Parish decided to join PERS' supplemental system before January 1, 1980, at no added cost to the Parish or its employees.

All of the employees who were members of the Employees' Retirement System of Jefferson Parish's separate supplemental plan on December 14, 1979 will be guaranteed all of the benefits offered by that plan, and all retirees entitled to benefits under that plan will continue to receive those benefits. The accumulated assets and funds of the Employees' Retirement System of Jefferson Parish were retained for that purpose. All persons employed after December 14, 1979 are members of the PERS only.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Other Supplementary Information (Continued)
Schedule of Administrative Expenses
For the Year Ended December 31, 2011

Salaries	$120,848
Retirement contributions	21,311
Group insurance	35,837
Unemployment contributions	193
Depreciation	1,869
Membership dues & publications	283
Postage	3,063
Office expenses	7,101
Insurance	1,704
Actuarial fees	21,900
Audit and consulting fees	11,760
Legal fees	25,883
Telephone	1,136
Expense allowance	7,987
Travel and seminar expenses	550
Total Administrative Expenses	$261,425

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Other Supplementary Information (Continued)
Schedule of Insurance Policies in Force and
Compensation Paid Board Members
As of December 31, 2011

Insurance Policies in Force

The following insurance policies were in force on December 31, 2011:

Type of Coverage	Amount of Coverage
Fidelity bond and depositor's forgery coverage, no deductible	$500,000
Employees non-owned and hired vehicles liability, combined bodily injury and property damage, no deductible	$1,000,000 each occurrence.
General liability, $500 deductible	$1,000,000 each occurrence; $2,000,000 general aggregate.
Workers' compensation, no deductible	$100,000 each occurrence; $500,000 general aggregate.

Compensation Paid Board Members

Board members do not receive any compensation or per diem.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Other Supplementary Information (Continued)
Summary Schedule of Prior Audit Findings and
Corrective Action Plan for Current Year Audit Findings
For the Years Ended December 31, 2011 and 2010

I have audited the accompanying general purpose financial statements of the Employees' Retirement System of Jefferson Parish, a component unit of Jefferson Parish, as of and for the years ended December 31, 2011 and 2010, and have issued my report thereon dated February 10, 2012. I conducted my audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audits of the financial statements as of December 31, 2011 and 2010, resulted in an unqualified opinion.

Section I - Summary of Auditor's Report and Findings

There was one material weakness in internal control that was a reportable condition which required disclosure in the current and prior years audit reports (Finding No. 1).

There were no other findings, required to be reported, and no management letter was issued for the current audit period.

There were no instances of noncompliance that were required to be reported in this audit report.

The Employees' Retirement System of Jefferson Parish did not receive any federal funds during either of the twelve months ended on December 31, 2011 or 2010.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH
Other Supplementary Information (Continued)
Summary Schedule of Prior Audit Findings and
Corrective Action Plan for Current Year Audit Findings
For the Years Ended December 31, 2011 and 2010

Section II - Financial Statement Finding

Finding No. 1

Fiscal Year Finding Initially Occurred: Has existed since inception.

Finding Described: The size of the System's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal accounting control.

Corrective Action and Additional Explanation: Management is aware of this inadequacy in the internal control structure, however, it feels that to employ such controls would not be cost beneficial. No action will need to be taken.

Contact Person:
Mr. Gary Duker
Chairperson - Board of Trustees
The Employees' Retirement System
of Jefferson Parish, Louisiana
504-364-2668

Anticipated Completion Date: Not applicable.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees of
The Employees' Retirement System of
Jefferson Parish, Louisiana
A Component Unit of Jefferson Parish

I have audited the financial statements of the Employees' Retirement System of Jefferson Parish, a component unit of Jefferson Parish, as of and for the years ended December 31, 2011 and 2010, and have issued my report thereon dated February 10, 2012. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered the Employees' Retirement System of Jefferson Parish's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Employees' Retirement System of Jefferson Parish's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Employees' Retirement System of Jefferson Parish's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, I identified a certain deficiency in the internal control over financial reporting that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (Finding No. 1).

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I considered the significant deficiency described in Finding No. 1 to be a material weakness.

<u>Compliance and Other Matters</u>
As a part of obtaining reasonable assurance about whether the Employees' Retirement System of Jefferson Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under <u>Government Auditing Standards</u>.

This report is intended solely for the information and use of management and the State of Louisiana Legislative Auditor, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the State of Louisiana Legislative Auditor, is a matter of public record.

Keith J. Rovira

Keith J. Rovira
Certified Public Accountant

February 10, 2012